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OAO “IDGC of Urals”: 9M 2009 Revenues totaled US\$ 915,3 mln.

Ekaterinburg (Ural Federal District, Russia) – OAO “IDGC of Urals” (RTS and MICEX: MRKU) reports on the 9M 2009 results under Russian Accounting Standards (RAS)

- Revenues from services in 9M 2009 totaled US\$ 915.3 mln.^[1] (-16.4% on 9M 2008).
- 9M 2009 expenses reached US\$ 806.7 mln. (-21.6%).

Table 1. Financial result of OAO “IDGC of Urals” as of 9M 2008 and 2009.^[2]

Item	9M 2009	9M 2008	Change, %
Revenues from services, US\$ thous. *	915 308.2	1 094 550.5	-16.4%
Expenses, US\$ thous.	806 676.5	1 028 602.1	-21.6%
Operating profit, US\$ thous.	108 631.7	65 948.4	+64.7%
<i>Operating margin</i>	<i>11.9%</i>	<i>6.0%</i>	
EBITDA, US\$ thous. ^[3]	89 671.9	104 701.0	-14.4%
<i>EBITDA margin</i>	<i>9.8%</i>	<i>9.6%</i>	-
Pre-tax profit, US\$ thous.	24 786.9	34 123.4	-27.4%
Net profit, US\$ thous.	18 548.6	25 307.5	-26.7%
<i>Net margin</i>	<i>2.0%</i>	<i>2.3%</i>	-

^[1] Figures in dollar terms are shown just for information. Due to high 9M 2009 ruble devaluation, the figures in dollar differ greatly from those in ruble terms and they distort the real economic situation.

^[2] For better comparison here and henceforth financial and economical figures as of 9M 2008 are calculated as the sum of the results by managing company OAO “IDGC of Urals” and OAO “Permenergo”, OAO “Sverdlovenergo”, OAO “Chelyabenergo”.

^[3] EBITDA is calculated according to the following formula: net profit + income tax and other obligatory payments + interest payable + depreciation and amortization.

* Here and henceforth currency conversions are based on average exchange rates: 9M 2009 – RUR 32.58, 9M 2008 – RUR 24.03.

Table 2. 9M 2009 Operating Results:

Item	9M 2009		
<i>Network and Equipment</i>			
Aerial lines (in chains)/ Cable lines, thous. km	122.3 / 4,9		
Transformer substations PS-35/110-220 kW:			
- quantity, pcs.	999		
- installed capacity, MVA	20 288		
Transformer substations TP-6-20/0.4 kW:			
- quantity, pcs.	27 476		
- installed capacity, MVA	7 383		
<i>Energy supply and losses</i>			
	9M 2009	9M 2008	Change, %
Energy supply, mln. kWh	54 657 905,15	65 343 683,77	-16,4%
Productive supply, mln. kWh	50 346 882,04	60 812 411,88	-17,2%
Energy losses, mln. kWh	4 311 023,11	4 531 271,90	-4,9%

More detailed information on the Company’s financial and operating results can be found in Supplements “[Financial Review](#)” and “[Operating Review](#)”.



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For 9M 2009 accounting statements prepared under Russian Accounting Standards (RAS), please, visit our corporate web-site at “Financial Statements” section (or follow the link: www.mrsk-ural.ru/ru/672).

OAO “IDGC of Urals” (est. in February 2005) is the main service provider responsible for energy transportation and technological connection of consumers to electric networks in Sverdlovsk, Chelyabinsk and Perm regions.

Electric network reform process in the Urals came to an end in April, 2008, and since May 1, 2008 OAO “IDGC of Urals” is a united operating company exercising control over 3 regional subsidiaries (Sverdlovenego, Chelyabenergo and Permenergo) as well as 3 core-asset affiliated companies (OAO “Ekaterinburg Electric Grid Company”, OAO “Kurganenergo”, OAO “Ekaterinburgenergosbyt”).

As of 2008 the revenues from services totaled RUR 36.0 bln., net profit reached RUR 862.1 mln (under RAS). Overall energy supply in 2008 amounted to 86.3 bln. kWh, productive supply totaled 79.9 bln. kWh, energy losses reached 6.5 bln. kWh.

Common shares are traded on MICEX and in RTS in quotation lists “B”. Free float is about 20%. In October, 2008 Consortium “RID-Expert RA” assigned us Corporate Governance rating at level “6”.

For additional information on the Company, please, visit our corporate web-site at www.mrsk-ural.ru, as well as Complex Information Disclosure System (www.skin.ru), Interfax (www.interfax.ru), AKM (www.akm.ru).

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FINANCIAL REVIEW

Revenues and Expense Review

ОАО “IDGC of Urals” is a non-exporting company which earnings are nominated in Russian rubles. Therefore, due to 9M 2009 ruble devaluation, 9M 2009 earnings in US dollar terms are less than 9M 2008 ones, though in ruble terms they increased.

On the whole, revenues from services, except for other operating and extraordinary revenue gains, in 9M 2009 reached US\$ 915.3 mln. (-16.4% on 9M 2008). In ruble terms the revenues increased by 13.4%.

General revenue structure of the Company is as follows (Table 3):

Table 3. The Company’s revenue structure in 9M 2008 and 2009, US\$ thous.:

Item	9M 2009	Share, %	9M 2008	Share, %	Change, %
Revenues from services, including:	915 308.2	96.8%	1 094 550.5	96.9%	-16.4%
<i>Revenues from energy transmission</i>	<i>891 029.1</i>	<i>94.3%</i>	<i>1 054 933.3</i>	<i>93.4%</i>	<i>-15.5%</i>
<i>Revenues from technological connection</i>	<i>17 032.4</i>	<i>1.8%</i>	<i>19 691.1</i>	<i>1.7%</i>	<i>-13.5%</i>
<i>Other revenues from main activities</i>	<i>7 079.6</i>	<i>0.7%</i>	<i>19 580.2</i>	<i>1.7%</i>	<i>-63.8%</i>
<i>Non-core revenues</i>	<i>167.2</i>	<i>0.02%</i>	<i>346.0</i>	<i>0.03%</i>	<i>-51.7%</i>
Other revenues (operating, extraordinary)	29 854.5	3.2%	35 343.1	3.1%	-15.5%
TOTAL REVENUES	945 162.7	100.0%	1 129 893,6	100.0%	-16.3%

Revenues from energy transmission contribute most to the revenue structure of the Company. As of 9M 2009 these revenue gains reached US\$ 891.0 mln. comprising 94.3% of the revenues (-15.5% on 9M 2008). In Russian rubles the revenues increased by 14.5%, the increase being due to average transmission tariff growth.

Revenues from technological connection as of 9M 2009 reached US\$ 17.0 mln. contributing 1.8% to the revenues (-13.5%). In ruble terms the revenues increased by 17.3%, the increased being caused by connection (execution of contracts for connection) as well as by technological connection tariff growth in comparison to 2008.

Other revenues from main activities gave us US\$ 7.1 mln. comprising 0.7% of the revenues (-63.8% on 9M 2008). The decrease in rubles reached 51.0% and was caused by the fact that in 2008 ОАО “IDGC of Urals” executed functions of the sole executive body according to agreements signed by the merged distributive grid companies.

Other (operating and extraordinary) revenues as of 9M 2009 totaled US\$ 29.9 mln. (3.2% of overall revenues), including:

1. Revenues from securities and financial instruments - US\$ 7.9 mln;
2. Profit of previous years revealed in the reported period – US\$ 0.9 mln.;
3. Penalties, fines, forfeits acknowledged by court – US\$ 0.9 thous.;
4. Revenues from selling core assets, materials, non-tangible assets – US\$ 0.2 mln.

Again, we want to draw your attention that the figures in US dollars are shown just for information and they give a slightly distorted picture of the Company's expenses due to ruble devaluation in 9M 2009.

The Company's expenses in 9M 2009 totaled US\$ 806.7 mln. (-21.6% on 9M 2008). Overall expenses of the Company as of 9M 2009 are as follows:

Table 4. The Company' expenses structure as of 9M 2008 and 2009, US\$ thous.

Item	9M 2009	Share, %	9M 2008	Share, %	Change, %
Purchased energy for loss compensation	167 613.4	20.8%	215 052.9	20.9%	-22.1%
Payments to OAO "FSK UES"	192 168.5	23.8%	212 521.8	20.7%	-9.6%
Payments to other distributive companies	208 513.3	25.8%	245 308.1	23.8%	-15.0%
Wages and other social benefits	90 270.4	11.2%	123 360.0	12.0%	-26.8%
Depreciation and amortization	47 769.6	5.9%	57 697.3	5.6%	-17.2%
Taxes and dues	2 798.5	0.3%	2 830.3	0.3%	-1.1%
Repair expenses	14 018.6	1.7%	23 779.2	2.3%	-41.0%
Other expenses	83 524.2	10.3%	148 052.6	14.3%	-43.6%
TOTAL EXPENSES	806 676.5	100.0%	1 028 602.1	100.0%	-21.6%

The largest 9M 2009 expenses include:

Purchased energy for loss compensation which totaled US\$ 167.6 mln. as of 9M 2009 (20.8% of overall expenses). In Russian rubles the increase reached 5.7% and was mainly due to loss compensation tariff growth.

Payments to other distributive companies which amounted to US\$ 208.5 mln. in 9M 2009 (25.8% of overall expenses). In ruble terms 15.2% increase was caused by appearance of transmission tariff with "boiler" model format in Chelyabinsk region since January, 2009.

Payments to OAO "FSK UES" which increased up to US\$ 192.2 mln. contributing 23.8% to overall expenses. In ruble terms the increase totaled 22.6%. These expenses are formed on the basis of contract demands request stipulating contract demand and energy supply volume from United National Electric Grid network and comprise service expenses which include tariff from FSK and MRSK network maintenance as well as tariff for energy loss compensation in FSK and MRSK networks.

Wages and other social benefits in 9M 2009 reached US\$ 90.3 mln. contributing 11.2% to overall expenses (in ruble terms -0.8% on 9M 2008).

Other expenses totaled US\$ 83.5 mln. (10.3% of overall expenses) and include transportation services, premises leasing, technical maintenance services. The decrease is due to realization of cost-decreasing program (e.g. services of commercial energy accounting and IT-services are done internally).

Debt Review

Table 5. The Company's credit portfolio as of 01.10.2008 and 01.10.2009, US\$ thous.

Item	As of 01.10.2009	As of 01.10.2008
Overall credit portfolio	163 423.7	222 725.6
Short-term loans and borrowings	2 636.1	35 250.1
Long-term loans and borrowings	160 787.6	187 475.4
<i>Including bonds</i>	<i>50.3</i>	<i>41 614.6</i>

As of 9M 2009 the Company's credit portfolio totaled US\$ 163.4 mln (-26.6% on 9M 2008, in Russian rubles -0.5%). Share of short-term loans and borrowings decreased considerably and totaled 1.6% from overall portfolio. As of 9M 2009 short-term loans and borrowings reached US\$ 2.6 mln. (-92.5%), long-term loans and borrowings reached US\$ 160.8 mln. (-14.2% on 9M 2008, in ruble terms +16.3%).

Table 6. The Company's financial indicators as of 01.10.2008 and 01.10.2009.

Item	As of 01.10.2009	As of 01.10.2008
Net debt, US\$ mln.	129.0	161.2
Financial debt/ EBITDA	4.4	3.3
Net debt/ EBITDA	3.7	2.6
EBITDA/ Interest payable	4.2	6.5
Financial debt/ Equity	23%	16%
Equity/ Assets	65%	72%

Net debt in 9M 2009 in dollar terms decreased and totaled US\$ 129.0, though in Russian rubles it grew by 8.4%.

On the whole, the Company has a moderate debt level; all liabilities contribute 32% to overall balance.

OPERATING REVIEW

Networks and Equipment

Overall length of aerial lines (in chains), as of 01.10.2009, reached 122.3 thous. km. The line length breakdown is as follows:

Table 7. Overall length of aerial lines (in chains), km. (as of 01.10.2009)

Subsidiary	220 kW	110 kW	35 kW	10 kW	6 kW	0.4 kW
Permenergo	0	7 504	4 146	17 540	2 104	14 083
Sverdlovenergo	5	10 664	2 040	12 391	1 314	11 752
Chelyabenergo	0	7 556	2 967	14 650	1 090	12 498
Total	5	25 724	9 153	44 581	4 508	38 333

Overall length of cable lines, as of 01.10.2009, reached 4 853 km. The breakdown is presented in Table 8.

Table 8. Overall length of cable lines, km (as of 01.10.2009)

Subsidiary	110 kW	35 kW	10 kW	6 kW	0.4 kW
Permenergo	10	82	208	1 127	754
Sverdlovenergo	0	0	81	149	240
Chelyabenergo	0	12	708	535	947
Total	10	94	997	1 811	1 941

The quantity of substations PS-35/110-220 kW, as of 01.10.2009, totaled 999, with overall capacity reaching 20 288 MVA. The breakdown is represented in Table 9:

Table 9. Quantity and installed capacity of substations PS-35/110-220 kW (as of 01.10.2009).

Subsidiary	PS-35 kW		PS -110-220 kW	
	Quantity	Installed capacity, MVA	Quantity	Installed capacity, MVA
Permenergo	180	1 660	165	5 769
Sverdlovenergo	91	561	267	6 467
Chelyabenergo	118	962	178	4 869
Total	389	3 183	610	17 105

The quantity of substations TP-6-20/0.4 kW, as of 01.10.2009, totaled 27 476, with installed capacity reaching 7 383 MVA. The breakdown is presented in Table 10.

Table 10. Quantity and installed capacity of substations TP-6-20/0.4 kW (as of 01.10.2009).

Subsidiary	Quantity	Installed capacity, MVA
Permenergo	11 154	2 856
Sverdlovenergo	7 503	1 901
Chelyabenergo	8 819	2 626
Total	27 476	7 383

Energy supply and losses

Table 11. Energy supply and losses as of 9M 2008 and 2009, thous. kWh.

Item	Subsidiary	9M 2009	9M 2008	Change, %
Overall energy supply	Permenergo	13 684 466.30	15 561 254.72	-12.1%
	Sverdlovenargo	25 034 785.51	30 403 588.40	-17.7%
	Chelyabenergo	15 938 653.34	19 378 840.65	-17.8%
	Total	54 657 905.15	65 343 683.77	-16.4%
Productive energy supply	Permenergo	12 201 715.20	14 035 544.21	-13.1%
	Sverdlovenargo	23 451 944.15	28 651 884.19	-18.1%
	Chelyabenergo	14 693 222.69	18 124 983.47	-18.9%
	Total	50 346 882.04	60 812 411.88	-17.2%
Energy Losses	Permenergo	1 482 751.10	1 525 710.51	-2.8%
	Sverdlovenargo	1 582 841.36	1 751 704.20	-9.6%
	Chelyabenergo	1 245 430.65	1 253 857.18	-0.7%
	Total	4 311 023.11	4 531 271.90	-4.9%